

Message Text

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PASS AGRICULTURE FROM AGATT

E. O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIA'S CURRENT FOODGRAIN HARVEST (RABI CROP)

SUMMARY: ALL THE NECESSARY FACTORS HAVE APPARENTLY COME TOGETHER TO PRODUCE A NEAR RECORD WHEAT CROP AND A PROBABLE RECORD RABI CROP THIS SPRING. WHEAT PRICES ON THE OPEN MARKET IN THE MAJOR PRODUCING BELTS HAVE DECLINED SUBSTANTIALLY IN RECENT WEEKS. IN SOME SURPLUS AREAS, THEY ARE NOT MUCH ABOVE THE PROCUREMENT PRICE FIXED BY THE GOVERNMENT. THE FALL IN WHEAT PRICES AND THE REMOVAL OF THE PRIVATE TRADE FROM THE PROCUREMENT PROCESS HAVE CAUSED OFFICIALS TO FEEL QUITE CONFIDENT THAT THE GOVERNMENT WILL EXPERIENCE LITTLE DIFFICULTY IN PROCURING WHEAT FOR DISTRIBUTION. THE RELATIVELY GOOD CROP GIVES INDIA AN OPPORTUNITY TO BEGIN TO REPLINISH FOODGRAIN STOCKS BY CONTINUING IMPORTS WHICH SHE WOULD NOT NECESSARILY-- AS IN THE LAST TWO YEARS-- HAVE TO ENTIRELY DIVERT INTO THE LIMITED OFFICIAL USE

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FOODGRAIN DISTRIBUTION SYSTEM. END SUMMARY.

1. DURING MOST OF THE LAST THIRTY DAYS, AGATT STAFF AND DIRECTOR WHEAT ASSOCIATES TRAVELED EXTENSIVELY TO MAJOR FOODGRAIN PRODUCING AREAS INVOLVING THREE-FOURTHS OF THE STATES. INFORMATION AND DATA OBTAINED WILL BE EMBODIED IN THE QUARTERLY GRAIN AND FEED REPORT

DUE FAS/W MAY 15. OUR PRELIMINARY ESTIMATE IS THAT THE WHEAT CROP MAY BE NEAR 26 MILLION METRIC TONS BUT FALL SHORT OF THE RECORD 26.4 MILLION TONS IN 1971/72. THIS COMPARES WITH LAST YEAR'S CROP OF 22.1.

2. A COMBINATION OF MANY FACTORS PRODUCED THE RELATIVELY GOOD WHEAT HARVEST. THE TWO MOST IMPORTANT, HOWEVER, WERE RAINFALL, WHICH, THOUGH BELOW AVERAGE IN MANY AREAS, WAS FORTUNATELY VERY TIMELY, AND THE COOLER-THAN-NORMAL TEMPERATURES IN MARCH DURING THE CRUCIAL HEAD FILLING STAGE. OTHER ELEMENTS WHICH FAVORED PRODUCTION WERE MINIMAL DAMAGE FROM RUST AND OTHER PLANT DISEASES; IMPROVED POWER SUPPLY FOR IRRIGATION BY DIVERSION OF POWER FROM INDUSTRY TO AGRICULTURE; MORE TIMELY APPLICATION OF FERTILIZER WHICH WAS AVAILABLE WITHOUT RECOURSE TO BLACK MARKET SOURCES; AND EXPANSION OF THE AREA UNDER HIGH-YIELDING VARIETIES. WHEAT PRODUCTION IS ABOVE LAST YEAR'S POOR PERFORMANCE IN ALL THE MAJOR WHEAT-PRODUCING STATES.

3. OTHER RABI CROPS (THOSE PLANTED IN FALL AND EARLY WINTER AND RECENTLY HARVESTED OR NOW BEING HARVESTED) SUCH AS BARLEY AND PULSES, ARE ALSO GENERALLY BETTER THAN LAST YEAR IN MOST AREAS. CONSEQUENTLY, TOTAL RABI CROP PRODUCTION, INCLUDING SUMMER RICE AND SORGHUM, COULD EQUAL OR MODERATELY EXCEED THE RECORD 42.2 MILLION METRIC TONS PRODUCED IN 1971-72. THE INCREASE OVER LAST YEAR'S (1973-74) RABI CROP WILL, TO A CONSIDERABLE EXTENT, OFF SET THE DECLINE IN THIS YEAR'S (1974-75) KHARIF CROP WHICH WAS HARVESTED LAST FALL AND SHOULD BRING TOTAL PRODUCTION OF FOODGRAINS FOR THIS YEAR IN THE VICINITY OF 102 MILLION TONS.

4. THE EFFECT OF THE RABI CROP OUTLOOK IS REFLECTED IN THE DECLINE IN RECENT WEEKS IN PRICES OF WHEAT, BARLEY AND PULSES. IN SOME MARKETS, WHEAT IS NOW ONLY 18 TO 36 CENTS ABOVE THE GOVERNMENT'S PROCUREMENT PRICE OF \$3.71 PER BUSHEL. OFFICIALS ARE LIMITED OFFICIAL USE

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GENERALLY CONFIDENT THAT WITH THE DROP IN WHEAT PRICES AND THE REMOVAL OF THE PRIVATE TRADE FROM THE PROCUREMENT PROCESS, THE GOVERNMENT WILL BE ABLE TO ACHIEVE THE PROCUREMENT TARGET OF 5.5 MILLION TONS. THIS WOULD COMPARE WITH 1.9 DURING THE MARKETINGSEAR APRIL 1, 1974 THROUGH MARCH 31, 1975, AND 4.5 TO 5.1 IN THE THREE PRECEDING MARKETING YEARS.

COMMENT: THE PRODUCTION LEVEL ANTICIPATED FOR THIS YEAR'S

WHEAT CROP SHOULD EASE THE NEED FOR THE GOVERNMENT TO IMPORT FOODGRAINS TO SUPPLEMENT THAT PROCURED FOR ITS DISTRIBUTION PROGRAM. NEVERTHELESS, RESERVE GRAIN STOCKS ARE AT DANGEROUSLY LOW LEVELS AND RESPONSIBLE OFFICIALS WOULD LIKE TO SEE THEM REPLENISHED. WITH NEARLY 600 MILLION PEOPLE, AND GOVERNMENT-HELD FOODGRAIN STOCKS MUCH BELOW DESIRED LEVELS, IT WOULD BE RISKY TO BANK ENTIRELY ON A FAVORABLE SUMMER MONSOON FOR A GOOD KHARIF HARVEST NEXT FALL. THE HEAVY DEPENDENCE OF INDIAN AGRICULTURE ON UNRELIABLE MONSOONS, AND ANNUAL POPULATION EXPANSION OF SOME 13 MILLION, AND NATIONAL ELECTIONS COMING UP IN 1976, ARE DIFFICULT TO IGNORE. THE RESTORATION OF BUFFER GRAIN STOCKS WOULD HELP STABILIZE FOOD PRICES WHICH IS IN LINE WITH GOVERNMENT POLICIES AND OBJECTIVES. FURTHERMORE, EVEN THOUGH THE 1974/75 TOTAL FOODGRAIN OUTPUT WILL PROBABLY BE IN THE VICINITY OF LAST YEAR'S PRODUCTION, IT WOULD STILL BE SOME 6 MILLION TONS LESS THAN DURING THE RECORD YEAR OF 1970/71. THE FACT IS THAT EVER SINCE THAT RECORD YEAR, INDIA'S TOTAL FOODGRAIN PRODUCTION HAS BEEN ON A PLATEAU RANGING FROM 97 MILLION TONS TO 105 MILLION. YIELDS PER HECTARE OF TOTAL FOODGRAINS HAVE NOT COME UP TO THE LEVELS OF 1970-71. MEANWHILE, SINCE THAT TIME, SOME 50 TO 55 MILLION PEOPLE HAVE BEEN ADDED. WITH LIMITS TO EXPANSION OF TILLABLE AREA, A BREAKTHROUGH IN YIELDS IS NEEDED AND INDIAN AGRICULTURAL SCIENTISTS AND OFFICIALS ARE WORKING TOWARD THIS END. BUT THIS TAKES TIME AND SINCE INDIA CANNOT RELY ON CURRENT PRODUCTION LEVELS TO FEED HER POPULATION--SAY NOTHING OF BUILDING UP RESERVES--IMPORTS PROVIDE A SOLUTION UNTIL STOCKS ARE REPLETED AND THE SOUGHT-FOR BREAKTHROUGH IN YIELDS ACHIEVED. PRESUMABLY, EACH COUNTRY WILL PREFER TO ACQUIRE AS MUCH OF HER FOODGRAIN IMPORT NEEDS AS POSSIBLE THROUGH CONCESSIONAL OR GRANT AGREEMENTS IN ORDER TO REDUCE THE AMOUNT OF FOREIGN EXCHANGE REQUIRED FOR COMMERCIAL IMPORTS BELOW THE LEVEL EXPENDED DURING THE LAST TWO YEARS. IT REMAINS TO BE SEEN TO WHAT EXTENT EUPHORIA GENERATED BY THE LIMITED OFFICIAL USE

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RABI CROP PROSPECTS BRINGS PRESSURE TO REDUCE IMPORTS OR WHETHER THE TYORE REALISTIC DECISION MAKERS WHO RECOGNIZE THE CURRENT UNPREDICTABLE NATURE OF INDIAN FOODGRAIN PRODUCTION WILL BE ABLE TO HOLD FORTH TO USE THIS OPPORTUNITY TO BEGIN BUILD UP OF RESERVE GRAIN STOCKS BY CONTINUING IMPORTS. IF THE SUMMER MONSOON PROVES KIND AND THE KHARIF OUTLOOK GOOD, THEN QUITE LIKELY THERE WILL BE RETRENCHMENT OF IMPORTS. SAXBE

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